on this subject will find Dr. Karl Willgren's "*Das Staats-budget, dessen Auf bau und Verhältnis zur Staatsrechnung*,"[1] exceedingly serviceable. The work is meritorious not only because it brings together in condensed form the views of such authorities as von Stein, Wagner and Stourm, but because it presents original conceptions of the nature of the budget and of the distinction between direct and indirect taxes. As is so often the case with German works it is without an index.

REVIEWS.

The Distribution of Wealth: A Theory of Wages, Interest and Profits. By JOHN BATES CLARK. Pp. xxviii, 445. Price, $3.00. New York: The Macmillan Company, 1899.

"It is conceivable that production might go on in an organized way without any change in the character of the operation. Men might conceivably produce to the end of time the same kinds of goods, and they might do it by the same processes. Their tools and materials might never change, and they might not alter for the better or for the worse the amount of wealth that industry would yield. Social production can thus be thought of as static." (P. 28.) It is with such an imaginary static society that Professor Clark's work on *Distribution* deals. "Heroically theoretical" though it is, it differs less from other treatises on the same subject than might at first be supposed. A static society is simply a society in which "natural," "normal" or "competitive" standards prevail; consequently, as the author points out, every writer who speaks of "normal values" or the "normal rate of wages" has such a society more or less clearly in mind. In confining his attention to static relations Professor Clark thus merely adopts, with fuller self-consciousness, the same method that has been employed by all constructive economists since Adam Smith. His merit is to differentiate more sharply than any of his predecessors, a static society from the dynamic state in which we live and to formulate independently the laws applicable to the former, before he turns, as he proposes to do in a second volume, to the complicating circumstances of the latter.

The resulting study is full of original suggestion even to students conversant with the author's earlier writings. Not only is the conclusion as to the law of distribution essentially different from that of any other economist professing the "productivity theory," but the principles upon which it is based are all, or nearly all, fruits of Professor Clark's own analysis. Beginning logically with an emendation to the

[1] Pp. x, 137. Helsingfors: Central-Tryckeri, 1899.

accepted marginal utility theory of value, which, as is well known, was itself formulated by Professor Clark independently of Jevons or the Austrians, each important link in the chain of reasoning—the distinction between capital and capital goods, the recognition that capital grows by qualitative rather than quantitive increments, and the perception that "pure capital" brings labor and its ripened fruits together instead of separating them,—has been patiently forged in the author's own workshop. The fact that many of these theories are already common property in no wise detracts from Professor Clark's credit for their origination. It merely testifies to his enlightened practice of making public each new scientific discovery as it has occurred during the twenty years in which he has been a contributor to economic literature.

Appreciating the abstractness of his work, the author has provided all possible aids to its comprehension. In addition to a full index and a running marginal summary of the text, there is a sixteen-page table of contents "containing a condensed statement of the leading idea of each of the chapters." The exact nature of a static society is clearly set forth in the *Preface*, where the changes eliminated from such a state are enumerated as follows: (1) Changes in the number of laborers; (2) in the amount of capital; (3) in the methods of production (including the quality of labor and of capital and the forms of industrial organization), and (4) in the wants of consumers. Finally, all obstacles to free competition are assumed to be absent. In a society conforming to these conditions it is obvious that wealth would continue to be produced and consumed, and that the dominant forces determining the division of wealth between the factors in production would continue to operate. Activity and movement would not be suspended though progress would. A full knowledge of the relations prevailing in such an imaginary, static society is, in the author's opinion, as indispensable to an understanding of the phenomena of the dynamic state of reality, as is a knowledge of the laws of statics to an understanding of the phenomena of dynamics in mechanics.

For convenience of review the treatise may be divided into three parts. The first six chapters are introductory. In addition to explaining at length the distinction between economic statics and economic dynamics, they indicate the moral bearings of the problem of distribution, criticise the traditional four-fold division of economics, on the ground that production and distribution are parallel processes mutually determining each other, and explain the universal principles applicable alike to a Crusœ and a social economy and of which use is made in the discussion which follows.

The second part embraces Chapters VII to XIII, inclusive, and presents a proximate demonstration of the author's main conclusion

that in a static society, profits being eliminated, labor and capital (which includes land) receive as their rewards what they specifically produce. This part is so full of illuminating analysis that it will probably be ranked as the best portion of the book, though it is less subtle than the part which follows.

That competition tends to eliminate profits and to level wages and interest to uniform rates are familiar ideas. The proof that the rates established in a static society by unrestricted competition measure the specific productivity of labor and capital, is Professor Clark's contribution. Henry George suggested one possible demonstration of the productivity theory of wages in stating that wages are fixed by what the farmer cultivating free land can produce by his unaided labor. Though accurate so far as it goes, this statement suggests, when the inconsiderable number of farmers cultivating free land is considered, a situation in which the tail wags the dog. It is also defective since it implies the exploitation of all other laborers save those working on free land. A more plausible demonstration is supplied by reference to the circumstances of those laborers who use no-rent instruments of production of all kinds. Still a wider field in which productivity appears to control wages is presented by what the author calls the "zone of indifference" in each industry, that is the situation in which the hired laborer just earns enough for his employer to cover his wages. That many thousands of workmen are thus on the ragged edge of unemployment in every industrial centre does not admit of question. Since competition keeps all wages at a level and such men receive the equivalents of what they produce, it may be stated as a general law that the "final productivity of labor" determines the rate of wages. But this seems again to imply exploitation of laborers not on the margin and is different in terms if not in fact from the author's thesis; "wages equal the specific products of labor." Negative reasoning from a marginal man was the stage to which Von Thünen brought the productivity theory of wages. Clark brought it to the same stage independently and by means of his careful analysis of capital carries it on to his conclusion, which admits no shadow of exploitation.

As President Hadley once stated at a meeting of the American Economic Association, it is a pity that Professor Clark's distinction between capital and capital goods was not made a couple of generations earlier. Nothing that that author or any other contemporary writer has contributed to economic discussion has proved such a solvent of mooted questions. Yet the distinction is simple. Capital goods are the tools, machines, buildings, seeds, mercantile stocks and other concrete aids to production. They are produced and used up in

furthering subsequent production. Each has its life history that may be traced and recorded like the biography of an individual laborer. Capital, on the other hand, is the fund of all capital goods looked at not as concrete instruments but as an abstract productive force. It is perennial, mobile and susceptible of measurement in terms of money. It is what the business man thinks of when he makes an estimate of his "capital" though he bases that estimate on an inventory of the capital goods in his establishment. Comparable with it, is abstract labor force which is also a perennial fund.

Armed with these distinctions between capital force and the concrete forms of capital, and labor force and concrete laborers, the author proceeds to show that distribution in a static society may be regarded as the division of the wealth produced either into four rent funds or into wages and interest. The earnings of capital goods are rents. So are the earnings of individual laborers. The earnings of capital as a whole are again a rent, or a differential, as contrasted with wages determined by the specific productivity of labor. Or, if the student prefers, interest may be shown to be the specific product of capital and wages made to appear as a differential income or rent. In a static society the rent of each instrument of production is its specific product and the rent of all instruments together are the specific products of capital or interest. In the same way the rent of each laborer is his specific product, and the rent of all laborers the specific product of labor as a whole, or wages. Each one of these points is clearly established by the author's analysis. To reproduce it would be to repeat this portion of the book, no part of which is unessential to the argument.

A word should be said, however, touching one link in the reasoning. In tracing the relations that prevail in a static society the author has occasion to show the effect that successive additions of capital have on the industrial organization as society approaches its static state. The supply of labor is assumed to have attained its full static proportions. The supply of capital is doubled. What does this involve? Not a duplication of all the instruments of production in existence, but a complete transformation of these instruments. The carpenter does not want two hammers but one hammer of superior quality. In general, additions to capital when the labor supply is fixed involve qualitative rather than quantitative changes. The point is simple, but one apt to escape attention.

As is implied by what has just been said of the prominence Professor Clark gives to the rent formula in his theory of distribution, he holds the law of diminishing returns to be of general applicability. If the labor supply is fixed each successive addition to capital is less productive than the preceding. If the capital supply is fixed the same

statement applies to successive additions to labor. This view is reconciled with the belief that exploitation has no part in normal distribution by means of the analysis of the qualitative changes in capital just referred to. For example if the labor supply increases, capital being fixed, the capital must deteriorate in order to adapt itself to the needs of the larger number of laborers. Assisted by poorer tools, machines, etc., not only the new laborers but all laborers are less productive than before.

The third part of the work begins with three chapters (XIV, XV and XVI), amending the marginal utility theory of value. That theory treats commodities in their entirety. Professor Clark shows that in reality commodities are valued as bundles of want-satisfying qualities. Just as producers' goods multiply by qualitative increments, so consumers' goods multiply by uniting in each article a larger number of utilities. Each one of these utilities is valued by itself by the group of consumers to which it is marginal. The sum of these separate valuations constitutes the value of the entire article.

Following on the heels of this important emendation are the additions to the theory of distribution that have already been suggested. Chapter XX supplies a valuable link by showing that the presence of a fund of capital in a static society synchronizes production and consumption. Professor Böhm-Bawerk in his treatment of capital emphasized the round-about aspect of capitalistic production. The essential thing connected with an increase of capital to his mind was an extension of the average period of production. Professor Clark recognizes the time element involved in the use of capital goods, but makes more prominent the attribute of pure capital which puts the laborer at once into possession of the ripened fruits of his efforts. He suggests that capital may be thought of as a continuous stream of wealth of unvarying volume. Add to this stream at any point by the application of labor and capital and you force an equivalent share of consumers' goods out at its end. By means of capital as a perennial fund the time between production and consumption is thus annihilated. Unbroken continuity is substituted for the alternate periods of privation and satiation which the non-capitalistic savage experiences.

Space will not permit an extended notice of the chapters showing that there is no more reason for maintaining that land-rent does not enter into the cost of production than that interest or wages do not, and specifying "the pain suffered by society as a whole in the final period of daily labor" as the ultimate unit of value. They are followed by chapters entitled "Static Standards in a Dynamic Society" and "Proximate Static Standards," which conclude the work

and prepare the reader for a second volume dealing with the dynamics of distribution. Some of the thoughts suggested in these closing chapters are that the normal tendency is for capital to increase more rapidly than population and hence for interest to fall and wages to rise; that the rates of wages and interest actually prevailing in dynamic society differ less from the static standards to which they tend to conform than might be expected because contemporaneous dynamic changes tend to neutralize each other; and that trusts cannot suppress competition, whatever their object, but simply change its form.

Reviewing the work as a whole, two points seem deserving of special comment. In the author's opinion the economic service for which interest is paid is performed once and for all when a person deliberately abstains from spending income to invest it. At this moment there is, in his view, a distinct sacrifice. Its fruit is a permanent, self-perpetuating addition to society's fund of capital, and its reward is interest, the product of this new capital. In harmony with this view, he maintains that "there is no abstinence in a static state." Interest in such a state is a reward for pre-static sacrifice. The contrary opinion is usually described by saying that interest is a reward for postponing consumption, or "waiting." It looks upon the capitalist, not as one who has made a sacrifice in the past, but as one who is continually making a sacrifice. From this point of view, capital is not a permanent, self-perpetuating fund, but an aggregate of small savings, any one of which may at any time be converted into consumers' goods and destroyed by its possessor. The opposition of view may be described as the difference between looking down on the fund of capital and looking up at it, or between thinking of capital as society's and capital as belonging to the individuals who make up society.

For Professor Clark's study no objection can be made to his analysis. He presupposes a static state. One of the conditions of such a state is that capital shall be a permanent, self-perpetuating, fund. Just how it comes to be so is not a question with which he need concern himself. Will his analysis prove adequate, however, for dealing with the problems of economic dynamics? The perpetuation of capital which he treats as typical is that presented by a corporation with a conservatively managed sinking fund. But behind this corporation are the shifting ranks of bondholders and stockholders, the real capitalists of the community. To these individuals capital is far from self-perpetuating. When making an investment how many of them heave a sigh and regard that as the end of the matter? Must not the original decision to invest be reinforced by daily, monthly, yearly decisions to continue to postpone consumption or to wait for the sake of interest? Professor Clark implies

that because the interest comes in in a continuous stream of ripened products, "waiting" does not accurately describe the process, nor does it as well as the phrase "abstain from immediate consumption," but this abstinence is daily, continuous, and not performed once and for all when it is entered upon.

The other point has to do with the nature of land-rent. Professor Clark shows very clearly that in a static society there is no occasion for making any distinction between land and the other instruments of production. Many readers will doubtless infer from this that it is his opinion that the prominence until now given to the land question as distinct from the question of capitalistic production is unwarranted. Whether this is his view or not, he will, I am sure, be the first to concede that a study limited to economic statics furnishes too narrow a basis for such a conclusion. From the point of view of economic dynamics the fact that land is a gift of nature while other instruments of production are themselves products of human industry attaches to the former an interest which the latter are without. And this only testifies again to the value of the distinction between economic statics and economic dynamics to which the author consistently adheres. Both present theoretical problems, but only the latter, since it alone deals with the real world, concerns itself with practical questions.

In conclusion, it is not too much to say that the publication of Professor Clark's "Distribution" marks an epoch in the history of economic thought in the United States. Its inspiration, its illustrations, even its independence of the opinions of others, are American; but its originality, the brilliancy of its reasoning and its completeness deserve and will surely obtain for it a place in world literature.

HENRY R. SEAGER.

Droit Politique Contemporain: Par Vte. Combes de Lestrade. Pp. 732. Price, 12*fr.* Paris: Guillaumin et Cie., 1900.

A striking feature of this work is the confusion of thought which pervades it. The want of some central, governing principle is most pronounced. The results of this defect are almost disastrous, for law can be profitably studied only in connection with some fundamental conceptions, round which the great multitude of facts can be more or less systematically arranged. An enumeration of the main divisions of the work will be sufficient to enforce this truth upon the student of constitutional law. The book contains nine chapters, as follows: Nation—State, Social Composition, Constitutions and Governments, Sov-